IPTI Xtracts

Property Tax and Assessment News from Around the World

TRINIDAD AND TOBAGO – October 2018

What factors led to Trinidad and Tobago's decision to establish a new tax authority?

ALLYSON WEST: Tax administration has become more complex and demanding. Internationally, T&T must comply with new obligations including the US Fair and Accurate Credit Transactions Act of 2003 as well as the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes and its strategy to curb base erosion and profit shifting. The current system has proven to be too inflexible to deliver services that both adequately protect national revenue and meet the expectations of taxpayers.

In T&T tax administration is currently the responsibility of the Board of Inland Revenue (BIR) and the Customs and Excise Division (CED), both of which fall under the remit of the Public Service Commission (PSC). The PSC is responsible for the recruitment and training of almost 40,000 public officers. Employees of the BIR and the CED are subject to rigid rules regarding remuneration, staffing, structure and promotion. The government recognised its obligation to establish a structure that would provide an efficient system of tax collection as part of adapting to the more demanding international operating environment. The T&T Revenue Authority (TTRA) is being designed to address these issues and should be established in early 2019.

How have best practices and the experiences of other markets influenced the design of the TTRA?

WEST: An effective revenue authority is critical to the achievement of key areas of national development and we have not taken its establishment lightly. We have carefully analysed more than 60 tax administration systems from every continent, although we have been careful not to try and adopt any single experience and apply it wholesale to T&T. Rather, we have sought to identify comparable environments, operating systems and structures alongside their results in order to adapt and apply elements that are most appropriate. We found the Kenyan model had the most lessons for us in terms of characteristics. We are also mindful of markets closer to home such as Guyana, Jamaica and Barbados. The purpose of our benchmarking has been to identify good practices, adapt those that suit our needs and be more aware of what we need to avoid.

In what ways could additional measures help to broaden the country's tax base?

WEST: There are many simple measures that could be adopted to enhance collection rates and broaden the tax base. The TTRA will have access to third-party information to allow for the identification of non-compliers.
For example, this approach could be applied to the arts and entertainment industry where we do not have a true sense of the cash and value-added tax flows from revenue-earning events and activities. We need to monitor these sectors closely to ensure individuals and organisations are accurately declaring their income and paying their taxes.

How will the property tax and Valuation of Land Act reform impact property owners?

WEST: Property tax is being reintroduced to ensure that all property owners in T&T contribute to the costs incurred to service their properties and communities. The new regime was introduced to ensure equity and fairness in the application of the tax.

Although a tax on property has existed in T&T for almost 100 years, no nationwide land valuation has been undertaken since 1948. There were different rates that applied to different regions of the country – the most prevalent of which was 7%. An application of that rate on current property values would have resulted in a heavy tax burden for property owners, including the most vulnerable. The new property tax regime applies scaled rates that will depend upon a given property's use, with the rates being 1% for agricultural, 3% for residential, commercial at 5% and industrial at 3% or 6%.

Reforms support enforcement of Trinidad and Tobago property taxes

Upon assuming office in 2015, the administration of Prime Minister Keith Rowley announced its intention to reintroduce legislation to put into effect the collection of property tax in Trinidad and Tobago. This would build upon steps taken by the previous administration to reformulate the mechanism utilised to calculate and collect property taxes in the country. In preparation for doing so, the existing Land and Building Taxes Act of 1920 was repealed and replaced by the Property Tax Act of 2009.

Following the general election of 2010, the incoming government, in keeping with its election promise, signalled its intention to suspend the collection of property taxes and review implementation practices. Acknowledging that the collection of taxes relating to property was critical to state revenues, plans were announced in the FY 2014 budget speech to reintroduce the tax on a phased basis in a way that was designed to be less of a burden on the population. However, this was never fully implemented and, as a result, property owners have enjoyed a nine-year moratorium on the payment of property taxes. Local media has reported that the state has lost approximately TT$1.3bn ($192.8m) due to the non-collection of this tax.

Tax Rates

The Property Tax Act of 2009 stipulated that the Board of Inland Revenue would be responsible for preparing an assessment roll, which would record all of the lands and properties that are liable to tax. Based on the revised provisions, the rates payable would be 3% on the annual taxable value, or the gross annual rental value for residential properties; 5% for commercial properties; 6% for industrial properties; 3% for industrial properties without a building; and 1% for agricultural holdings.

Property owners would be required to complete a valuation return form (VRF) to calculate a property's rental value, in accordance with the Valuation of Land Act. This form would then be submitted, along with the necessary supporting documents, to the Valuation Division of the Ministry of Finance. Upon receipt of the completed VRF, the commissioner of valuation may notify property owners of field visits to assess and verify the information that was submitted in the forms. Property owners would be charged 10% interest on property taxes that are unpaid by March 15 of each year.

Recent Progress

A bill of amendments to the Property Tax Act of 2009 was proposed in early 2018, which sought to address certain deficiencies. The amendment inserted a new section on how valuations would be conducted for townhouses, condominiums and multiple-owner commercial units. Additionally, charities, which are currently exempted from corporation tax under the Corporation Tax Act, would also be exempt from the application of taxes on properties used for approved charitable purposes. This exemption would also be applicable to schools, including occupied tertiary institutes, as well as land belonging to the state and occupied by public authorities. Importantly, deferral of payment would be allowed on the grounds of hardship, and such deferrals could be rolled over if the conditions of the applicant remain unchanged.

Criticism

At a time when the economic diversification is critical to easing the dependence on oil and gas, many in the private sector view the proposed implementation of the tax as a burden that could negatively affect business activity, particularly in the manufacturing sector, as the calculation of the tax would take into consideration plants and machinery as well. In an environment where other taxes on businesses have been hiked in recent times, many manufacturers claim that the proposed tax would have an adverse effect on their operations, and could potentially limit growth. Some have proposed that an exemption similar to that for the energy sector should be applied to them.

How much Property Tax will the gov't be collecting?

The Government is estimating that it would collect $252.4 million in property taxes, according to the Draft Estimates of Revenue for 2019.

The document revealed that government collected only $2.3 million in 2018 while in 2017 it collected $2.9 million in property taxes.

Work on Property Tax continues as $7 million has been allocated under the Development Programme for the implementation of the tax. Finance Minister Colm Imbert in his budget presentation on Monday indicated that “the current plan is for the Board of Inland Revenue to issue notices to property owners for the payment of property tax in 2019”. Assuring the national community that there would be no retroactivity with respect to the tax, Imbert said the it will only be implemented and collected in respect of calendar year 2019.

Both the Property Tax Amendment Act and the Valuation of Land Amendment Act provide for a new system of property taxes. Imbert said Government had been building capacity in the Office of the Commissioner of Valuation with the recruitment and training of field assessors and supervisors and other technical personnel. He said the recruitment of additional staff is continuing to accelerate the pace of work and the assessment of residential properties. He added that there had been inspections of approximately 10,000 residential properties so far.

The Minister said the Valuation Division of the Ministry of Finance had been relocated to new premises in Barataria, in the same location as the field assessor, “thus providing the necessary supervisory oversight and guidance by senior public officers”.

He added that accommodation for field assessors at other valuation offices throughout Trinidad- Arouca, San Fernando, Point Fortin, Sangre Grande, Chaguanas and Tobago- was being finalised.

"No retroactive property tax payments"

Finance Minister Colm Imbert has assured citizens that homeowners would not be required to make retroactive payments on Property Tax.

Property Tax, he said, would be implemented and collected in respect of calendar year 2019.

In delivering the 2018/2019 budget presentation in the House of Representatives on Monday, Imbert said the legal hurdles faced by those opposed to the Property Tax, the Government was making substantial roadway to envisage the long awaited Property Tax regime.

On June 8, Imbert said, the President approved two pieces of legislation - the Property Tax Amendment Act 2018 and the Valuation of Land Amendment Act 2018.

He said, “The anomalies which existed with these two pieces of legislation have been corrected. We have been building capacity at the office of Commissioner of Valuations with recruitment and training of field officers and supervisors and technical personnel.”

Imbert said the Valuation of Land department of the Ministry of Finance has been relocated to new premises in Barataria, near the office of field accessors.

He said field accessors would be spread across the country in Arouca, San Fernando, Point Fortin, Sangre Grande, Chaguanas and Tobago.

“The current plan is for the Board of Inland Revenue to issue notices to property owners for the payment of Property Tax in 2019. The Property Tax will not be required to pay on a retroactive basis, the tax will only be implemented and collected in respect of calendar year 2019,” he said.